

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name	County
Fiscal Year End	Opinion Date	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature <i>Hennrich A. Berthiaume</i>	Printed Name		License Number	

KOCHVILLE TOWNSHIP

Saginaw County, Michigan

FINANCIAL STATEMENTS

March 31, 2008

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**BERTHIAUME
& COMPANY**

Certified Public Accountants



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INDEPENDENT AUDITORS' REPORT

To the Township Board
Kochville Township, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Kochville Township as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Kochville Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Kochville Township, as of March 31, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison schedules, as identified in the table of contents, are not required parts of the basic financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Kochville Township's basic financial statements. The accompanying other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statements.

Berthiaume & Co.

Saginaw, Michigan
April 30, 2008

BASIC FINANCIAL STATEMENTS

KOCHVILLE TOWNSHIP

STATEMENT OF NET ASSETS

March 31, 2008

	<i>Primary Government</i>			<i>Component Unit</i>
	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>	
Assets:				
Cash and cash equivalents	\$ 806,211	\$ 2,110,921	\$ 2,917,132	\$ 651,899
Receivables	212,802	795,982	1,008,784	34,506
Internal balances	(407,715)	407,715	-	-
Inventory	-	30,147	30,147	-
Capital assets:				
Nondepreciable capital assets	111,298	74,654	185,952	-
Depreciable capital assets, net	<u>2,075,886</u>	<u>5,081,652</u>	<u>7,157,538</u>	<u>-</u>
Total assets	<u>2,798,482</u>	<u>8,501,071</u>	<u>11,299,553</u>	<u>686,405</u>
Liabilities:				
Accounts payable and accrued expenses	64,943	68,062	133,005	37,555
Long-term liabilities:				
Due within one year	8,023	30,100	38,123	-
Due in more than one year	<u>66,259</u>	<u>282,100</u>	<u>348,359</u>	<u>-</u>
Total liabilities	<u>139,225</u>	<u>380,262</u>	<u>519,487</u>	<u>37,555</u>
Net assets:				
Invested in capital assets, net of related debt	1,801,533	4,844,106	6,645,639	-
Unrestricted	<u>857,724</u>	<u>3,276,703</u>	<u>4,134,427</u>	<u>648,850</u>
Total net assets	<u>\$ 2,659,257</u>	<u>\$ 8,120,809</u>	<u>\$ 10,780,066</u>	<u>\$ 648,850</u>

The accompanying notes are an integral part of these financial statements.

KOCHVILLE TOWNSHIP

STATEMENT OF ACTIVITIES

Year Ended March 31, 2008

		<i>Program Revenues</i>			<i>Net (Expense) Revenue</i>
		<i>Charges for Services</i>	<i>Operating Grants and Contributions</i>	<i>Capital Grants and Contributions</i>	
Functions/Programs	<u>Expenses</u>				
PRIMARY GOVERNMENT:					
<i>Governmental activities:</i>					
General government	\$ 284,541	\$ 31,960	\$ -	\$ -	\$ (252,581)
Public safety	314,935	140,345	10,651	56,303	(107,636)
Public works	138,926	103,503	5,872	-	(29,551)
Community and economic development	76,822	-	72,473	350,000	345,651
Recreation and culture	27,629	1,310	3,193	-	(23,126)
Interest on long-term debt	25,152	-	-	-	(25,152)
Total governmental activities	<u>868,005</u>	<u>277,118</u>	<u>92,189</u>	<u>406,303</u>	<u>(92,395)</u>
<i>Business-type activities:</i>					
Sewer	443,533	327,112	-	-	(116,421)
Water	667,775	584,075	-	-	(83,700)
Total business-type activities	<u>1,111,308</u>	<u>911,187</u>	<u>-</u>	<u>-</u>	<u>(200,121)</u>
Total primary government	<u>\$1,979,313</u>	<u>\$ 1,188,305</u>	<u>\$ 92,189</u>	<u>\$ 406,303</u>	<u>\$ (292,516)</u>
COMPONENT UNIT:					
Downtown development authority	<u>\$ 815,943</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 350,000</u>	<u>\$ (465,943)</u>

continued

The accompanying notes are an integral part of these financial statements.

	<i>Primary Government</i>			
	<i>Governmental</i>	<i>Business-</i>		<i>Component</i>
	<i>Activities</i>	<i>type</i>	<i>Total</i>	<i>Unit</i>
	<i>Activities</i>	<i>Activities</i>	<i>Total</i>	<i>Unit</i>
<i>Changes in net assets:</i>				
Net (Expense) Revenue	\$ (92,395)	\$ (200,121)	\$ (292,516)	\$ (465,943)
General revenues:				
Taxes:				
Property taxes, levied for general purpose	245,202	-	245,202	-
Property taxes, levied for fire	246,827	-	246,827	-
Property taxes, levied and captured by DDA	-	-	-	790,724
Grants and contributions not restricted to specific programs	217,329	-	217,329	-
Unrestricted investment earnings	58,868	137,684	196,552	6,630
Total general revenues	768,226	137,684	905,910	797,354
Change in net assets	675,831	(62,437)	613,394	331,411
Net assets, beginning of year, restated	1,983,426	8,183,246	10,166,672	317,439
Net assets, end of year	\$ 2,659,257	\$ 8,120,809	\$ 10,780,066	\$ 648,850

KOCHVILLE TOWNSHIP

GOVERNMENTAL FUNDS

BALANCE SHEET

March 31, 2008

				<i>Nonmajor Governmental Fund</i>	
	<i>General Fund</i>	<i>Fire Fund</i>	<i>Building Inspection Fund</i>	<i>Parks and Recreation Fund</i>	<i>Total Governmental Funds</i>
Assets:					
Cash and cash equivalents	\$ 571,652	\$ 181,787	\$ 50,333	\$ 2,439	\$ 806,211
Taxes receivable	30,697	28,542	-	-	59,239
Accounts receivable	7,609	4,448	-	-	12,057
Accounts receivable - tax account	105,459	-	-	-	105,459
Accrued interest receivable	277	-	-	-	277
Due from other governmental units	34,822	-	-	-	34,822
Due from component unit	-	948	-	-	948
Total assets	<u>\$ 750,516</u>	<u>\$ 215,725</u>	<u>\$ 50,333</u>	<u>\$ 2,439</u>	<u>\$ 1,019,013</u>
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable	\$ 23,271	\$ 1,808	\$ 318	\$ 111	\$ 25,508
Accrued expenses	1,192	-	-	-	1,192
Deposits payable	38,243	-	-	-	38,243
Advance payable to other fund	407,715	-	-	-	407,715
Total liabilities	<u>470,421</u>	<u>1,808</u>	<u>318</u>	<u>111</u>	<u>472,658</u>
Fund balances:					
Unreserved:					
General fund	280,095	-	-	-	280,095
Special revenue funds	-	213,917	50,015	2,328	266,260
Total fund balances	<u>280,095</u>	<u>213,917</u>	<u>50,015</u>	<u>2,328</u>	<u>546,355</u>
Total liabilities and fund balances	<u>\$ 750,516</u>	<u>\$ 215,725</u>	<u>\$ 50,333</u>	<u>\$ 2,439</u>	<u>\$ 1,019,013</u>

The accompanying notes are an integral part of these financial statements.

KOCHVILLE TOWNSHIP

RECONCILIATION OF FUND BALANCES OF GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

March 31, 2008

Total fund balances for governmental funds		\$ 546,355
Total net assets reported for governmental activities in the statement of of net assets is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Governmental capital assets	3,070,692	
Less accumulated depreciation	<u>(883,508)</u>	2,187,184
Long-term liabilities are not due and payable in the current year and therefore are not reported in the governmental funds:		
Loan payable		<u>(74,282)</u>
Net assets of governmental activities		<u><u>\$ 2,659,257</u></u>

The accompanying notes are an integral part of these financial statements.

KOCHVILLE TOWNSHIP

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended March 31, 2008

				<i>Nonmajor Governmental Fund</i>	
	<i>General Fund</i>	<i>Fire Fund</i>	<i>Building Inspection Fund</i>	<i>Parks and Recreation Fund</i>	<i>Total Governmental Funds</i>
Revenues:					
Property taxes	\$ 267,902	\$ 260,598	\$ -	\$ -	\$ 528,500
Licenses and permits	13,118	-	116,226	-	129,344
Federal grants	-	56,303	-	-	56,303
State grants	240,781	10,651	-	-	251,432
Contributions from other units	39,000	33,473	-	-	72,473
Charges for services	108,046	22,046	1,385	1,310	132,787
Interest and rents	55,611	2,991	2,692	454	61,748
Other revenue	11,419	688	-	3,193	15,300
Total revenues	<u>735,877</u>	<u>386,750</u>	<u>120,303</u>	<u>4,957</u>	<u>1,247,887</u>
Expenditures:					
Current					
General government	225,745	-	-	-	225,745
Public safety	-	143,873	98,536	-	242,409
Public works	138,926	-	-	-	138,926
Community and economic development	76,591	-	-	-	76,591
Recreation and culture	-	-	-	27,629	27,629
Capital outlay	27,518	62,972	10,116	-	100,606
Debt service					
Principal	-	7,684	-	-	7,684
Interest and fees	18,763	3,403	-	-	22,166
Total expenditures	<u>487,543</u>	<u>217,932</u>	<u>108,652</u>	<u>27,629</u>	<u>841,756</u>
Excess (deficiency) of revenues over expenditures	<u>248,334</u>	<u>168,818</u>	<u>11,651</u>	<u>(22,672)</u>	<u>406,131</u>
Other financing sources (uses):					
Transfer from other funds	25,523	-	-	25,000	50,523
Transfer to other funds	<u>(25,000)</u>	<u>(25,523)</u>	<u>-</u>	<u>-</u>	<u>(50,523)</u>
Total other financing sources (uses)	<u>523</u>	<u>(25,523)</u>	<u>-</u>	<u>25,000</u>	<u>-</u>
Net change in fund balances	248,857	143,295	11,651	2,328	406,131
Fund balances, beginning of year	<u>31,238</u>	<u>70,622</u>	<u>38,364</u>	<u>-</u>	<u>140,224</u>
Fund balances, end of year	<u>\$ 280,095</u>	<u>\$ 213,917</u>	<u>\$ 50,015</u>	<u>\$ 2,328</u>	<u>\$ 546,355</u>

The accompanying notes are an integral part of these financial statements.

KOCHVILLE TOWNSHIP

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended March 31, 2008

Net change in fund balances - total governmental funds \$ 406,131

Total change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense.

Capital outlay expended by Township	76,875	
Capital outlay expended by Downtown Development Authority	350,000	
Less depreciation expense	<u>(115,506)</u>	311,369

Collection of certain items recorded as deferred revenue are considered current financial resources in the governmental funds. In the statement of activities, these items have been recorded as revenue.

State revenue sharing - sales tax	(17,580)	
Property taxes	<u>(36,471)</u>	(54,051)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in accrued interest payable	4,698	
Principal payments on loan payable	<u>7,684</u>	<u>12,382</u>

Change in net assets of governmental activities \$ 675,831

The accompanying notes are an integral part of these financial statements.

KOCHVILLE TOWNSHIP

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

March 31, 2008

	<i>Business-type Activities</i>		
	<i>Sewer Fund</i>	<i>Water Fund</i>	<i>Total Enterprise Funds</i>
Assets:			
<i>Current assets:</i>			
Cash and cash equivalents	\$ 843,388	\$ 1,267,533	\$ 2,110,921
Accounts receivable	20,616	42,727	63,343
Accounts receivable - tax account	48,492	88,130	136,622
Special assessments receivable	42,000	69,000	111,000
Accrued interest receivable	861	3,978	4,839
Inventory	-	30,147	30,147
Total current assets	955,357	1,501,515	2,456,872
<i>Noncurrent assets:</i>			
Special assessments receivable	190,430	289,748	480,178
Advance receivable from other fund	190,000	217,715	407,715
Capital assets:			
Nondepreciable capital assets	73,689	965	74,654
Depreciable capital assets, net	2,220,188	2,861,464	5,081,652
Total noncurrent assets	2,674,307	3,369,892	6,044,199
Total assets	3,629,664	4,871,407	8,501,071
Liabilities:			
<i>Current liabilities:</i>			
Accounts payable	27,766	23,197	50,963
Deposits payable	1,540	9,705	11,245
Accrued interest payable	5,854	-	5,854
Current portion of long-term debt	30,100	-	30,100
Total current liabilities	65,260	32,902	98,162
<i>Noncurrent liabilities:</i>			
Long-term debt	282,100	-	282,100
Total noncurrent liabilities	282,100	-	282,100
Total liabilities	347,360	32,902	380,262
Net assets:			
Invested in capital assets, net of related debt	1,981,677	2,862,429	4,844,106
Unrestricted	1,300,627	1,976,076	3,276,703
Total net assets	\$ 3,282,304	\$ 4,838,505	\$ 8,120,809

The accompanying notes are an integral part of these financial statements.

KOCHVILLE TOWNSHIP

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Year Ended March 31, 2008

	<i>Business-type Activities</i>		
	<i>Sewer Fund</i>	<i>Water Fund</i>	<i>Total Enterprise Funds</i>
Operating revenues:			
Charges for services	\$ 216,939	\$ 490,152	\$ 707,091
Connection fees	108,900	84,100	193,000
Other	1,273	9,823	11,096
Total operating revenues	327,112	584,075	911,187
Operating expenses:			
Personnel	51,012	110,960	161,972
Fringe benefits	13,937	35,070	49,007
Supplies	2,544	15,314	17,858
Contracted services	22,432	20,907	43,339
Sewage treatment	171,695	-	171,695
Purchase of water	-	279,510	279,510
Telephone	2,273	1,511	3,784
Mileage	2,411	6,093	8,504
Dues, licenses and permits	394	1,712	2,106
Education and training	-	1,128	1,128
Insurance	8,686	12,482	21,168
Utilities	11,147	852	11,999
Repairs and maintenance	16,632	15,727	32,359
Other services and supplies	27,080	44,617	71,697
Depreciation	98,128	121,892	220,020
Total operating expenses	428,371	667,775	1,096,146
Operating income	(101,259)	(83,700)	(184,959)
Non-operating revenues (expenses):			
Interest income	61,903	75,781	137,684
Interest expense	(15,162)	-	(15,162)
Net non-operating revenues	46,741	75,781	122,522
Net income (loss)	(54,518)	(7,919)	(62,437)
Net assets, beginning of year, restated	3,336,822	4,846,424	8,183,246
Net assets, end of year	\$ 3,282,304	\$ 4,838,505	\$ 8,120,809

The accompanying notes are an integral part of these financial statements.

KOCHVILLE TOWNSHIP

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

Year Ended March 31, 2008

	<i>Business-type Activities</i>		
	<i>Sewer Fund</i>	<i>Water Fund</i>	<i>Total Enterprise Funds</i>
Cash flows from operating activities:			
Cash received from customers	\$ 388,856	\$ 737,971	\$ 1,126,827
Cash payments for interfund services	50,000	18,438	68,438
Cash payments to employees	(51,012)	(110,960)	(161,972)
Cash payments to suppliers for goods and services	(271,838)	(416,706)	(688,544)
Net cash provided by operating activities	116,006	228,743	344,749
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(13,054)	(1,997)	(15,051)
Principal payments	(29,400)	-	(29,400)
Interest paid	(15,162)	-	(15,162)
Net cash used by capital and related financing activities	(57,616)	(1,997)	(59,613)
Cash flows from investing activities:			
Interest received	61,903	75,781	137,684
Net cash provided by investing activities	61,903	75,781	137,684
Net increase in cash and cash equivalents	120,293	302,527	422,820
Cash and cash equivalents, beginning of year	723,095	965,006	1,688,101
Cash and cash equivalents, end of year	\$ 843,388	\$ 1,267,533	\$ 2,110,921
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ (101,259)	\$ (83,700)	\$ (184,959)
Adjustments:			
Depreciation	98,128	121,892	220,020
Change in assets and liabilities:			
Accounts receivable	65,357	115,466	180,823
Accounts receivable - tax account	(48,492)	(88,130)	(136,622)
Special assessments receivable	45,740	128,765	174,505
Accrued interest receivable	(861)	(2,205)	(3,066)
Inventory	-	6,897	6,897
Advance receivable from other fund	50,000	18,438	68,438
Accounts payable	8,238	1,615	9,853
Deposits payable	(293)	9,705	9,412
Accrued interest payable	(552)	-	(552)
Net cash provided by operating activities	\$ 116,006	\$ 228,743	\$ 344,749

The accompanying notes are an integral part of these financial statements.

KOCHVILLE TOWNSHIP

FIDUCIARY FUND
STATEMENT OF NET ASSETS
March 31, 2008

	<i><u>Agency Fund</u></i>
Assets:	
Cash and cash equivalents	\$ 244,605
Total assets	<u>\$ 244,605</u>
Liabilities:	
Due to primary government	\$ 242,081
Due to other governmental units	<u>2,524</u>
Total liabilities	<u>\$ 244,605</u>

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

KOCHVILLE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Kochville Township conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity:

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the Township and its component units. In evaluating the Township as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the Township may be financially accountable and, as such, should be included within the Township's financial statements. The Township (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial burden on the Township. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The component unit discussed below is included in the Township's reporting entity because of its operational or financial relationship with the Township.

Discretely Presented Component Units - This unit is reported in a separate column to emphasize that it is legally separate from the Township. The component unit is described as follows:

Downtown Development Authority - The Downtown Development Authority's (DDA) governing body is appointed by the Township Board. The budgets and expenditures of the DDA must be approved by the Township Board. In addition, the Township has the ability to significantly influence operations of the DDA. The DDA does not issue any other form of financial statements except as contained in the Kochville Township annual financial statements.

Joint Venture – The Township entered into a joint venture with the City of Zilwaukee, Carrollton Township and the Charter Township of Saginaw to create the Northwest Utilities Authority. This Authority was established to operate and service the sewage transmission system to the City of Saginaw's waste water treatment plant. The Authority sold bonds to construct the system of which the portion of Kochville Township is liable for is based on the pro-rata share of the average of the past three years of metered flow readings. Monthly payments are made to the Authority for operation and maintenance, for capital improvements and for debt service. Separate financial statements are issued by the Northwest Utilities Authority.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation:

The accounts of the Township are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

KOCHVILLE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2008

Government-wide Financial Statements:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the primary government. These statements distinguish between activities that are governmental and those that are business-type activities.

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The Township's net assets are reported in three parts (1) invested in capital assets, net of related debt, (2) restricted net assets, and (3) unrestricted net assets. The Township first utilizes restricted resources to finance qualifying activities.

The statement of activities reports both the gross and net cost of each of the Township's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The Township does not allocate indirect costs. In creating the government-wide financial statements the Township has eliminated interfund transactions.

The government-wide focus is on the sustainability of the Township as an entity and the change in the Township's net assets resulting from current year activities.

Fund Financial Statements:

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

KOCHVILLE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2008

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

Fiduciary funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Fiduciary funds are accounted for on a spending or economic resources measurement focus and the accrual basis of accounting as are the proprietary funds.

The Township reports the following major governmental fund:

The **General Fund** is the primary operating fund of the Township. It is used to account for all financial resources, except for those required to be accounted for in another fund.

The **Fire Fund** is used to account for the revenues and expenditures for government's fire protection.

The **Building Inspection Fund** is used to account for the revenues and expenditures of the government's building inspection program.

The Township reports the following major enterprise fund:

The **Sewer Fund** is used to account for the activities of the sewage collection system.

The **Water Fund** is used to account for the activities of the water distribution system.

Additionally, the Township reports the following:

The **Agency Fund** accounts for property tax and other deposits collected on behalf of other units and individuals.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

KOCHVILLE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2008

Assets, Liabilities and Equity:

Deposits and Investments – Cash and cash equivalents include cash on hand, demand deposits, certificates of deposit and short term investments with a maturity of three months or less when acquired. Investments, if any, are stated at fair value. For purposes of the statement of cash flows, the Township considers all highly liquid investments (including restricted assets) with a maturity when purchased of three months or less and all local government investment pools to be cash equivalents.

Interfund Receivables and Payables – Generally, outstanding amounts owed between funds are classified as “due from/to other funds”. These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits. Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds”. Any residual balances outstanding between the governmental and business-type activities are reported in the government-wide financial statements as “internal balances”.

Inventory – Inventory is valued at cost, on a first-in, first-out basis. Inventories of proprietary funds are recorded as expenditures when consumed rather than when purchased. Inventories of governmental funds are recorded as expenditures when purchased.

Prepaid Items – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The Township defines capital assets as assets with an initial individual cost in excess of \$5,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. Public domain (infrastructure) assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the government) are capitalized if acquired after April 1, 2004. Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings	40-60 years
Buildings and improvements	15-30 years
Computer equipment	3-7 years
Infrastructure	25 years
Office equipment	5-7 years
Vehicles	3-5 years
Water and sewer lines	50-75 years

Compensated Absences – There is no liability for unpaid accumulated vacation and sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government.

Long-term Obligations – In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

KOCHVILLE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2008

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Eliminations and Reclassifications:

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the “grossing up” effect on assets and liabilities within the governmental activities column.

Property Taxes:

Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

The 2007 taxable valuation of the Township totaled \$186,459,598 (exclusive of any Michigan Tax Tribunal or Board of Review adjustments) on which ad valorem taxes levied consisted of .9766 mills for the Township’s operating purposes and 1.0000 mill for fire protection.

The delinquent real property taxes of the Township are purchased by Saginaw County. The delinquent real property taxes are received soon enough after year end to be recorded as revenue in the current year.

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information:

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to March 31, the Township Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following April 1.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to April 1, the budget is legally enacted by adoption of the Township Board.
4. Any revision that alters the total expenditures of any fund must be approved by the Township Board.

KOCHVILLE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2008

5. Formal budgetary integration is employed as a management control device during the year for all funds.
6. Governmental fund budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A comparison of actual results of operations to the General Fund, Fire Fund and Building Inspection Fund budgets as originally adopted and amended by the Township Board are included in the required supplemental information.
7. All annual appropriations lapse at fiscal year end.

Excess of Expenditures over Appropriations in Budgeted Funds:

During the year, the Township did incur expenditures that were materially in excess of the amounts budgeted, as follows:

	<i><u>Final Budget</u></i>	<i><u>Actual</u></i>	<i><u>Excess</u></i>
Expenditures:			
<i>General Fund:</i>			
Current			
Public works	\$ 121,700	\$ 138,926	\$ 17,226
Capital outlay	24,800	27,518	2,718
Debt service - interest	-	18,763	18,763
<i>Fire Fund:</i>			
Capital outlay	-	62,972	62,972
Debt service - interest	3,393	3,403	10
<i>Building Inspection Fund:</i>			
Current			
Public safety	83,050	98,536	15,486
Capital outlay	6,500	10,116	3,616

NOTE 3: DEPOSITS AND INVESTMENTS

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency of instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The investment policy adopted by the Township Board is in accordance with Public Act 196 of 1997. The Township's deposits and investments have been made in accordance with statutory authority.

The Township's deposits and investments are subject to risk, which is examined in more detail below:

Custodial Credit Risk of Bank Deposits:

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be

KOCHVILLE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2008

returned to it. The Township does not have a deposit policy for custodial credit risk. At year end, the Township had \$3,923,022 of bank deposits (certificates of deposit, checking, and savings accounts), of which \$1,000,000 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits, and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with acceptable estimated risk level are used as depositories.

The Township had no investments at March 31, 2008.

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2008 was as follows:

	<i><u>April 1, 2007</u></i>	<i><u>Additions</u></i>	<i><u>Retirements</u></i>	<i><u>March 31, 2008</u></i>
Governmental activities:				
Nondepreciable capital assets:				
Land	\$ 111,298	\$ -	\$ -	\$ 111,298
Depreciable capital assets:				
Buildings and improvements	905,990	15,999	-	921,989
Infrastructure	-	350,000	-	350,000
Land improvements	543,098	-	-	543,098
Machinery and equipment	376,327	60,876	-	437,203
Vehicles	707,104	-	-	707,104
Total depreciable capital assets	2,532,519	426,875	-	2,959,394
Accumulated depreciation	(768,002)	(115,506)	-	(883,508)
Depreciable capital assets, net	1,764,517	311,369	-	2,075,886
Governmental activities, capital assets, net	<u>\$ 1,875,815</u>	<u>\$ 311,369</u>	<u>\$ -</u>	<u>\$ 2,187,184</u>
Business-type activities:				
Nondepreciable capital assets:				
Construction in progress	\$ 63,729	\$ 10,926	\$ -	\$ 74,655
Depreciable capital assets				
Machinery and equipment	166,690	4,125	-	170,815
Sewer system	3,885,895	-	-	3,885,895
Vehicles	71,338	-	-	71,338
Water system	4,270,426	-	-	4,270,426
Total depreciable capital assets	8,394,349	4,125	-	8,398,474
Accumulated depreciation	(3,096,803)	(220,020)	-	(3,316,823)
Depreciable capital assets, net	5,297,546	(215,895)	-	5,081,651
Business-type activities, capital assets, net	<u>\$ 5,361,275</u>	<u>\$ (204,969)</u>	<u>\$ -</u>	<u>\$ 5,156,306</u>

KOCHVILLE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2008

Depreciation expense was charged to functions as follows:

	<i><u>Governmental Activities</u></i>	<i><u>Business-type Activities</u></i>
General government	\$ 57,696	\$ -
Public safety	57,633	-
Community and economic development	177	-
Sewer	-	98,128
Water	-	121,892
Total	<u>\$ 115,506</u>	<u>\$ 220,020</u>

NOTE 5: LONG-TERM LIABILITIES

The Township entered into a loan and contract to provide for the acquisition and construction of major capital projects. Loans and contract payables are direct obligations and pledge the full faith and credit of the Township.

Long-term liabilities at March 31, 2008 consisted of the following:

<i><u>Types of Indebtedness</u></i>	<i><u>Maturity</u></i>	<i><u>Interest Rate</u></i>	<i><u>Annual Principal Installments</u></i>	<i><u>Original Loan Amount</u></i>	<i><u>Outstanding at Year-End</u></i>
<u>Governmental Activities</u>					
<i>Loan Payable:</i>					
Fire Rescue Vehicle	12/01/15	4.125%	\$7,706-10,648	\$ 89,366	\$ 74,282
<u>Business-type Activities</u>					
<i>Contract Payable:</i>					
Northwest Utilities Authority	05/01/16	4.500%	\$29,400-38,800	\$ 2,970,000	\$ 312,200

The following is a summary of long-term liabilities transactions for the year ended March 31, 2008:

	<i><u>April 1, 2007</u></i>	<i><u>Additions</u></i>	<i><u>Retirements</u></i>	<i><u>March 31, 2008</u></i>	<i><u>Due Within One Year</u></i>
<u>Governmental Activities:</u>					
<i>Contract Payable</i>					
Fire Rescue Vehicle	\$ 81,966	\$ -	\$ (7,684)	\$ 74,282	\$ 8,023
Total governmental activities					
- long-term liabilities	<u>\$ 81,966</u>	<u>\$ -</u>	<u>\$ (7,684)</u>	<u>\$ 74,282</u>	<u>\$ 8,023</u>
<u>Business-type activities:</u>					
<i>Contract Payable</i>					
Northwest Utilities Authority	\$ 341,600	\$ -	\$ (29,400)	\$ 312,200	\$ 30,100
Total business-type activities					
- long-term liabilities	<u>\$ 341,600</u>	<u>\$ -</u>	<u>\$ (29,400)</u>	<u>\$ 312,200</u>	<u>\$ 30,100</u>

KOCHVILLE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2008

Annual debt service requirements to maturity for the above contractual obligations are as follows:

<i>Year Ended</i> <i>March 31,</i>	<i>Governmental Activities</i>			<i>Business-type Activities</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2009	\$ 8,023	\$ 3,063	\$ 11,086	\$ 30,100	\$ 14,049	\$ 44,149
2010	8,354	2,732	11,086	31,400	12,695	44,095
2011	8,699	2,388	11,087	32,100	11,282	43,382
2012	9,058	2,029	11,087	33,400	9,837	43,237
2013	9,431	1,655	11,086	34,800	8,334	43,134
2014	9,821	1,266	11,087	36,100	6,768	42,868
2015	10,226	861	11,087	37,400	5,144	42,544
2016	10,670	417	11,087	38,100	3,461	41,561
2017	-	-	-	38,800	1,746	40,546
	<u>\$ 74,282</u>	<u>\$ 14,411</u>	<u>\$ 88,693</u>	<u>\$ 312,200</u>	<u>\$ 73,316</u>	<u>\$ 385,516</u>

NOTE 6: DISAGGREGATED RECEIVABLE AND PAYABLE BALANCES

Receivables and payables as of year end for the Township's governmental and business-type activities in the aggregate are as follows:

	<i>Governmental</i> <i>Activities</i>	<i>Business-Type</i> <i>Activities</i>	<i>Component</i> <i>Unit</i>
Receivables:			
Property taxes	\$ 59,239	\$ -	\$ 31,984
Accounts	117,516	199,965	1,710
Special assessments	-	591,178	-
Accrued interest	277	4,839	812
Intergovernmental	35,770	-	-
Total receivables	<u>\$ 212,802</u>	<u>\$ 795,982</u>	<u>\$ 34,506</u>
Accounts payable and accrued expenses:			
Accounts	\$ 25,508	\$ 50,963	\$ 36,607
Payroll and related liabilities	1,192	-	-
Deposits payable	38,243	11,245	-
Accrued interest	-	5,854	-
Intergovernmental	-	-	948
Total accounts payable and accrued expenses	<u>\$ 64,943</u>	<u>\$ 68,062</u>	<u>\$ 37,555</u>

KOCHVILLE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2008

NOTE 7: INTERFUND BALANCES AND TRANSFERS

The composition of advance receivable and payable balances at March 31, 2008 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Sewer Fund	General Fund	\$ 190,000
Water Fund	General Fund	217,715
		<u>\$ 407,715</u>

The Township does not expect these balances to be repaid within one year.

There were no interfund receivable and payable balances at March 31, 2008.

Interfund transfers during the fiscal year were as follows:

<u>Funds Transferred From</u>	<u>Funds Transferred To</u>	<u>Amount</u>
General Fund	Parks and Recreation Fund Fund	\$ 25,000
Fire Fund	General Fund	25,523
		<u>\$ 50,523</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the various funds to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 8: RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, employee injuries (workers' compensation), and natural disasters. The Township has purchased commercial insurance to cover any potential claims associated with these risks.

Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past three fiscal years.

NOTE 9: EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

Defined Contribution Plan:

The Township has a defined contribution money purchase pension plan (the Plan) covering all employees who are at least 18 years of age. New employees are enrolled as Plan participants on April 1, the first day of each Plan year. The Plan is administered by the Township Office Manager.

KOCHVILLE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2008

Required annual contributions to the Plan are based on each employee's annual compensation. Currently, the Township contributes 100% of the total required annual contribution. Employees may elect to make voluntary contributions to the Plan through payroll withholdings. Total annual contributions are subject to the Internal Revenue Code limitations. The Township's contributions are fully vested for each employee upon the earlier of the completion of twenty months of service, reaching 65 years of age, permanent disability, or death.

During the plan year, the Township's required and actual contributions amounted to \$26,516. There were no employee contributions made.

Post Employment Benefits:

The Township offers no post employment benefits.

Deferred Compensation Plan:

The Township offers its employees a deferred compensation plan created in accordance with IRC Section 457. The plan, available to all employees, permits them to defer a portion of their current salary until future years. The deferred compensation is not available to the employees until termination, retirement, death or unforeseeable emergency.

NOTE 10: PRIOR PERIOD ADJUSTMENT

Correction of an Error:

The beginning net assets of the Sewer Fund and Water Fund were restated to correct the balances of the special assessments at March 31, 2007.

The effect is as follows:

	<i><u>Sewer Fund</u></i>	<i><u>Water Fund</u></i>	<i><u>Total Business-type Activities</u></i>
Beginning net assets, previously stated, March 31, 2007	\$ 3,280,549	\$ 4,764,770	\$ 8,045,319
Add: Special assessments collected in fiscal year 2007 in the tax collection fund not transferred until fiscal year 2008	<u>56,273</u>	<u>81,654</u>	<u>137,927</u>
Beginning net assets, restated, March 31, 2007	<u>\$ 3,336,822</u>	<u>\$ 4,846,424</u>	<u>\$ 8,183,246</u>

REQUIRED SUPPLEMENTAL INFORMATION

KOCHVILLE TOWNSHIP

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2008

	<i>Budgeted Amounts</i>			<i>Actual</i>
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	<i>Over (Under)</i>
				<i>Final Budget</i>
Revenues:				
Property taxes	\$ 237,600	\$ 237,600	\$ 267,902	\$ 30,302
Licenses and permits	10,000	10,000	13,118	3,118
State grants	220,000	220,000	240,781	20,781
Contributions from other units	-	-	39,000	39,000
Charges for services	107,500	107,500	108,046	546
Interest and rents	18,000	18,000	55,611	37,611
Other revenue	2,800	2,800	11,419	8,619
Total revenues	595,900	595,900	735,877	139,977
Expenditures:				
Current				
General government	223,925	231,675	225,745	(5,930)
Public works	136,700	121,700	138,926	17,226
Community and economic development	67,250	86,750	76,591	(10,159)
Capital outlay	18,300	24,800	27,518	2,718
Debt service				
Interest and fees	-	-	18,763	18,763
Total expenditures	446,175	464,925	487,543	22,618
Excess (deficiency) of revenues over expenditures	149,725	130,975	248,334	117,359
Other financing sources (uses):				
Transfers from other funds	-	-	25,523	25,523
Transfer to other funds	(124,000)	(105,250)	(25,000)	80,250
Total other financing sources (uses)	(124,000)	(105,250)	523	105,773
Net change in fund balance	25,725	25,725	248,857	223,132
Fund balance, beginning of year	31,238	31,238	31,238	-
Fund balance, end of year	\$ 56,963	\$ 56,963	\$ 280,095	\$ 223,132

KOCHVILLE TOWNSHIP

FIRE FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2008

	<i>Budgeted Amounts</i>			<i>Actual Over (Under) Final Budget</i>
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	
Revenues:				
Property taxes	\$ 152,000	\$ 152,000	\$ 260,598	\$ 108,598
Federal grants	-	-	56,303	56,303
State grants	18,000	18,000	10,651	(7,349)
Contributions from other units	-	-	33,473	33,473
Charges for services	20,000	20,000	22,046	2,046
Interest and rents	-	-	2,991	2,991
Other revenue	-	-	688	688
Total revenues	190,000	190,000	386,750	196,750
Expenditures:				
Current				
Public safety	178,710	178,710	143,873	(34,837)
Capital outlay	-	-	62,972	62,972
Debt service				
Principal	7,684	7,684	7,684	-
Interest and fees	3,393	3,393	3,403	10
Total expenditures	189,787	189,787	217,932	28,145
Excess (deficiency) of revenues over expenditures	213	213	168,818	168,605
Other financing uses:				
Transfers from other funds	13,000	13,000	-	(13,000)
Transfer to other funds	(25,523)	(25,523)	(25,523)	-
Total other financing uses	(12,523)	(12,523)	(25,523)	(13,000)
Net change in fund balance	(12,310)	(12,310)	143,295	155,605
Fund balance, beginning of year	70,622	70,622	70,622	-
Fund balance, end of year	\$ 58,312	\$ 58,312	\$ 213,917	\$ 155,605

KOCHVILLE TOWNSHIP

BUILDING INSPECTION FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2008

	<i>Budgeted Amounts</i>			<i>Actual</i>
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	<i>Over (Under)</i>
				<i>Final Budget</i>
Revenues:				
Licenses and permits	\$ 90,000	\$ 90,000	\$ 116,226	\$ 26,226
Charges for services	-	-	1,385	1,385
Interest and rents	3,000	3,000	2,692	(308)
Total revenues	93,000	93,000	120,303	27,303
Expenditures:				
Current				
Public safety	83,050	83,050	98,536	15,486
Capital outlay	6,500	6,500	10,116	3,616
Total expenditures	89,550	89,550	108,652	19,102
Net change in fund balance	3,450	3,450	11,651	8,201
Fund balance, beginning of year	38,364	38,364	38,364	-
Fund balance, end of year	\$ 41,814	\$ 41,814	\$ 50,015	\$ 8,201

OTHER SUPPLEMENTAL INFORMATION

KOCHVILLE TOWNSHIP

GENERAL FUND

DETAILED SCHEDULE OF REVENUES

Year Ended March 31, 2008

Revenues:

Current Taxes:

Property taxes	\$ 173,897
Trailer tax	422
Administration fees	93,583
	<u>267,902</u>

Licenses and permits:

Business licenses and permits	<u>13,118</u>
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State Grants:

State revenue sharing - sales tax	221,604
Metro Act Authority	5,872
Other	13,305
	<u>240,781</u>

Contribution from other units:

Downtown Development Authority	<u>39,000</u>
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Charges for services:

Refuse collection fees	96,000
Other	12,046
	<u>108,046</u>

Interest and rents:

Interest	52,731
Rents	2,880
	<u>55,611</u>

Other Revenue:

Special assessments	7,503
Other	3,916
	<u>11,419</u>

Total revenues	<u>735,877</u>
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Other Financing Sources:

Transfers from other funds	<u>25,523</u>
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Total revenues and other financing sources	<u><u>\$ 761,400</u></u>
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KOCHVILLE TOWNSHIP

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES

Year Ended March 31, 2008

Expenditures:

General Government:

Board:

Personnel	\$ 4,400
Fringe benefits	427
Supplies	43
Transportation	58
Dues and memberships	3,265
Conferences and workshops	543
Printing and publications	1,349
Other	3,049
	<u>13,134</u>

Supervisor:

Personnel	10,000
Fringe benefits	17,920
Supplies	162
Telephone	496
Transportation	49
Dues and memberships	50
Education and training	1,049
Printing and publications	365
Other	226
	<u>30,317</u>

Clerk:

Personnel	8,500
Fringe benefits	3,241
Supplies	737
Telephone	202
Dues and memberships	255
Conferences and workshops	2,047
Printing and publications	28
Other	656
	<u>15,666</u>

Audit:

Contracted services	<u>1,942</u>
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Board of Review:

Personnel	840
Fringe benefits	65
Contracted services	19
Education and training	390
Printing and publications	639
	<u>1,953</u>

KOCHVILLE TOWNSHIP

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended March 31, 2008

Expenditures, continued:

General Government, continued:

Treasurer:

Personnel	8,250
Fringe benefits	705
Supplies	169
Contracted services	5,960
Telephone	186
Mileage	450
Dues and memberships	55
Education and training	1,055
Other	418
	<hr/>
	17,248

Assessor:

Supplies	920
Contracted services	18,300
Other	1,409
	<hr/>
	20,629

Elections:

Personnel	2,550
Fringe benefits	217
Supplies	427
Contracted services	513
Mileage	162
Education and training	60
Printing and publications	283
Other	300
	<hr/>
	4,512

Attorney:

Contracted services	<hr/>
	44,889

Buildings and Grounds:

Supplies	223
Insurance	5,195
Repairs and maintenance	6,737
Other	62
	<hr/>
	12,217

KOCHVILLE TOWNSHIP

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended March 31, 2008

Expenditures, continued:

General Government, continued:

Office Operating:

Personnel	19,890
Fringe benefits	6,159
Supplies	4,817
Telephone	5,433
Transportation	6
Insurance	13,530
Utilities	6,108
Repairs and maintenance	2,458
Equipment rental	3,340
Other	1,497
	<u>63,238</u>
 Total general government	 <u>225,745</u>

Public Works:

Sub Station:

Telephone	<u>882</u>
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Drains:

Contracted services	<u>23,416</u>
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Roads:

Contracted services	<u>18,040</u>
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Street Lighting:

Utilities	<u>9,736</u>
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Rubbish Pickup:

Contracted services	<u>86,852</u>
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Total public works	<u>138,926</u>
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KOCHVILLE TOWNSHIP

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended March 31, 2008

Expenditures, continued:

Community and Economic Development:

Planning and Zoning:

Personnel	19,451
Fringe benefits	1,646
Supplies	333
Contracted services	19,674
Transportation	46
Dues and memberships	1,717
Conferences and workshops	1,790
Printing and publications	1,347
Other	919
	<u>46,923</u>

Board of Appeals:

Personnel	255
Fringe benefits	21
Conferences and workshops	155
Printing and publications	201
	<u>632</u>

Code Enforcement:

Personnel	15,854
Fringe benefits	7,024
Supplies	1,267
Contracted services	3,151
Telephone	275
Transportation	380
Dues and memberships	40
Conferences and workshops	205
Other	840
	<u>29,036</u>

Total community and economic development	<u>76,591</u>
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Capital Outlay:

General government	24,989
Community and economic development	2,529
	<u>27,518</u>

Debt Service:

Interest and fees	<u>18,763</u>
Total expenditures	<u>487,543</u>

Other Financing Uses:

Transfer to other funds	<u>25,000</u>
Total expenditures and other financing uses	<u>\$ 512,543</u>

KOCHVILLE TOWNSHIP

COMPONENT UNIT BALANCE SHEET

March 31, 2008

	<u><i>Downtown Development Authority</i></u>
Assets:	
Cash and cash equivalents	\$ 651,899
Taxes receivable	31,984
Accounts receivable	1,710
Accrued interest receivable	<u>812</u>
Total assets	<u><u>\$ 686,405</u></u>
Liabilities and Fund Balance:	
<i>Liabilities:</i>	
Accounts payable	\$ 36,607
Due to primary government - Fire Fund	<u>948</u>
Total liabilities	<u>37,555</u>
<i>Fund balances:</i>	
Unreserved	<u>648,850</u>
Total fund balance	<u>648,850</u>
Total liabilities and fund balance	<u><u>\$ 686,405</u></u>

KOCHVILLE TOWNSHIP

COMPONENT UNIT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE

March 31, 2008

	<u><i>Downtown Development Authority</i></u>
Revenues:	
Property taxes	\$ 805,677
Federal/State grants	350,000
Interest and rents	<u>6,630</u>
Total revenues	<u>1,162,307</u>
Expenditures:	
Current	
Community and economic development	743,470
Contribution to primary government	<u>72,473</u>
Total expenditures	<u>815,943</u>
Net change in fund balance	346,364
Fund balance, beginning of year	<u>302,486</u>
Fund balance, end of year	<u><u>\$ 648,850</u></u>
RECONCILIATION OF CHANGE IN FUND BALANCE TO CHANGE IN NET ASSETS:	
Net change in fund balance - component unit	\$ 346,364
Total change in net assets reported for the component unit in the statement of activities is different because:	
Collection of certain items recorded as deferred revenue are considered current financial resources in the governmental funds. In the statement of activities, these items have been recorded as revenue.	
Property taxes	<u>(14,953)</u>
Change in net assets of the component unit	<u><u>\$ 331,411</u></u>

KOCHVILLE TOWNSHIP

FIDUCIARY FUND – AGENCY FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

Year Ended March 31, 2008

<u>Tax Collection Fund</u>	<i>April 1, 2007</i>	<i>Additions</i>	<i>Deductions</i>	<i>March 31, 2008</i>
Assets:				
Cash and cash equivalents	\$ 370,338	\$ 8,154,642	\$ 8,280,375	\$ 244,605
Total assets	<u>\$ 370,338</u>	<u>\$ 8,154,642</u>	<u>\$ 8,280,375</u>	<u>\$ 244,605</u>
Liabilities:				
Accounts payable	\$ 3,564	\$ -	\$ 3,564	\$ -
Due to component unit	230,088	748,084	978,172	-
Due to primary government	129,487	809,884	697,290	242,081
Due to other governmental units	<u>7,199</u>	<u>6,596,674</u>	<u>6,601,349</u>	<u>2,524</u>
Total liabilities	<u>\$ 370,338</u>	<u>\$ 8,154,642</u>	<u>\$ 8,280,375</u>	<u>\$ 244,605</u>

KOCHVILLE TOWNSHIP

GOVERNMENTAL ACTIVITIES

SCHEDULE OF INDEBTEDNESS

March 31, 2008

LOAN PAYABLE - FIRE RESCUE VEHICLE

Original issue amount	\$	89,366
Less: Principal paid in prior years		(7,400)
Principal paid in current year		<u>(7,684)</u>
Balance payable at March 31, 2008	\$	<u>74,282</u>

Balance payable as follows:

<i>Fiscal</i> <i>Year Ended</i>	<i>Interest</i> <i>Rate</i>	<i>Principal due</i>	<i>Interest due</i>	<i>Total</i> <i>Annual</i> <i>Requirement</i>
2009	4.125%	\$ 8,023	\$ 3,063	\$ 11,086
2010	4.125%	8,354	2,732	11,086
2011	4.125%	8,699	2,388	11,087
2012	4.125%	9,058	2,029	11,087
2013	4.125%	9,431	1,655	11,086
2014	4.125%	9,821	1,266	11,087
2015	4.125%	10,226	861	11,087
2016	4.125%	<u>10,670</u>	<u>417</u>	<u>11,087</u>
		\$ <u>74,282</u>	\$ <u>14,411</u>	\$ <u>88,693</u>

KOCHVILLE TOWNSHIP

BUSINESS-TYPE ACTIVITIES

SCHEDULE OF INDEBTEDNESS

March 31, 2008

CONTRACT PAYABLE - NORTHWEST UTILITIES AUTHORITY

Original issue amount	\$	2,970,000
Less: Principal paid in prior years		(2,628,400)
Principal paid in current year		<u>(29,400)</u>
Balance payable at March 31, 2008	\$	<u>312,200</u>

Balance payable as follows:

<i>Fiscal</i> <i>Year Ended</i>	<i>Interest</i> <i>Rate</i>	<i>Principal due</i>	<i>Interest due</i>	<i>Total</i> <i>Annual</i> <i>Requirement</i>
2009	4.500%	\$ 30,100	\$ 14,049	\$ 44,149
2010	4.500%	31,400	12,695	44,095
2011	4.500%	32,100	11,282	43,382
2012	4.500%	33,400	9,837	43,237
2013	4.500%	34,800	8,334	43,134
2014	4.500%	36,100	6,768	42,868
2015	4.500%	37,400	5,144	42,544
2016	4.500%	38,100	3,461	41,561
2017	4.500%	<u>38,800</u>	<u>1,746</u>	<u>40,546</u>
		<u>\$ 312,200</u>	<u>\$ 73,316</u>	<u>\$ 385,516</u>



REQUIRED COMMUNICATION TO KOCHVILLE TOWNSHIP IN ACCORDANCE WITH PROFESSIONAL STANDARDS

To the Township Board
Kochville Township

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Kochville Township for the year ended March 31, 2008, and have issued our report thereon dated April 30, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated March 19, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Kochville Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates may be particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no sensitive estimates affecting the financial statements.

Disclosures

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures may be particularly sensitive because of their significance to financial statement users. Note 10 on page 24 discusses a prior period adjustment that was needed to correct an accounting error.

Difficulties Encountered in Performing the Audit

We encountered difficulties in performing and completing our audit as follow:

- The property tax levy / recap reports that were used during the tax collection period were based on the "incorrect" DDA capture amounts. Only at the final settlement in May 2008 did the county prepare the correct tax levy recap reports.
- The Township tax account is not being reduced to zero (or near zero) from year to year. It is more difficult to account for substantial amounts of money left undistributed in the tax account. Taxes (including Township taxes, special assessments and interest earned) should be distributed as collected, especially as of March 31 each year.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements, if any.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated April 30, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Discussions with Management

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Internal Control Matters

In planning and performing our audit of the financial statements of Kochville Township as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Kochville Township 's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Municipality's internal control. Accordingly, we do not express an opinion on the effectiveness of the Municipality's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Municipality's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that misstatement of the Municipality's financial statements that is more than inconsequential will not be prevented or detected by the Municipality's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Municipality's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined above.

Deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above, follow:

Recording, Processing and Summarizing Accounting Data

Criteria: All governmental units are required to have in place internal controls over recording, processing, summarizing accounting data and preparing financial statements. SAS No. 112 requires us to communicate with you about this.

Conditions: As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the recording, processing, summarizing accounting data and preparing financial statements as part of its external financial reporting process. Accordingly, the government has placed reliance on its external auditors, who cannot by definition be considered a part of the government's internal controls.

Cause: This condition was caused by the government's decision that it is more cost effective to have external auditors recommend the necessary adjusting journal entries to its general ledger and prepare the financial statements than to incur the time and expense for the government to perform these tasks internally.

Effect: As a result of this condition, the government lacks internal controls over the recording, processing, summarizing accounting data and preparing financial statements, and instead relied, in part, on its external auditors for assistance with this task.

View of Responsible Officials: The government has evaluated the cost versus benefit of establishing internal controls over the recording, processing, summarizing accounting data and preparing financial statements, and determined that it is in the best interests of the government to rely on its external auditors to recommend the necessary adjustments and preparation of the financial statements.

This communication is intended solely for the information and use of management, Township Board, and others within the Municipality, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Berthiaume & Co.

Berthiaume & Company
Certified Public Accountants
Saginaw, Michigan
April 30, 2008